

Uintah Basin Association of Governments

FINANCIAL STATEMENTS

Year Ended June 30, 2006

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AYCOCK, MILES & ASSOCIATES, CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, each major fund, aggregate remaining fund information, and budgetary comparison information of the Uintah Basin Association of Governments as of and for the year ended June 30, 2006, which collectively comprise the Association's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, aggregate remaining fund information, and budgetary comparison information of the Association as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2006 on our consideration of the Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 7 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Associations as referred to above. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Aycock, Miles & Associates, CPAs

November 6, 2006

Management's Discussion and Analysis

As management of the Uintah Basin Association of Governments (the Association), we offer readers of the Association's financial statements this narrative overview and analysis of financial activities of the Association for the fiscal year ended June 30, 2006.

Financial Highlights

- Assets exceeded liabilities at closest year-end: \$4,258,433 - \$1,465,744 = \$2,792,689. Of this amount, \$208,735 is unrestricted and available to meet the Association's ongoing obligations.
- Net assets increased \$5,093.
- Fund balances increased \$26,043.
- The Association's long-term obligations decreased \$25,000 from \$513,000 to \$488,000.
- Outstanding loans to businesses in the Uintah Basin from the three revolving loan funds increased \$19,737 or 3.0% from \$658,866 to \$678,603. Three new loans totaling \$190,000 were issued during the year.
- Grants revenues managed by the Association (excluding the Association's office building) decreased \$279,546 from \$2,810,276 to \$2,530,730. Some grants vary year to year and no significant programs were terminated.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Association's basic financial statements. The Association's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements—The government-wide financial statements are designed to provide readers with a broad overview of the Association's finances, in a manner similar to a private-sector businesses.

The statement of net assets present information on all of the Association's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Association is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Association that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Association include general administration and multiple grant management. The Association has no business-type or fiduciary activities.

Governmental-wide financial statements can be found on pages 8-9 of this report.

Fund financial statements—A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Association, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Association can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The Association does not have any proprietary funds or fiduciary funds.

Governmental funds—Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of the revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Association maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and special revenue fund both of which are considered to be major funds.

The Association adopts an annual appropriated budget for its general fund and special revenue fund. A budgetary comparison statement has been provided for the major funds to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found on pages 12-15 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-24 of this report.

Government-wide Financial Analysis

Government Net Assets—As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$2,792,689 at the close of the most recent fiscal year.

The largest portion of the Association's net assets were capital assets (equipment, buildings and land) less related debt still outstanding at 61.6%. Restricted assets comprise net assets related to grant and revolving loan contracts at 30.9%. Unrestricted net assets which may be used to meet the government's ongoing obligations to citizens and creditors comprised 7.5%. The Association uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Association's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay any debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate any liabilities.

Net Assets	Governmental Activities	
	2006	2005
Current and other assets	\$ 2,050,864	\$ 2,221,265
Capital assets net of depreciation	2,207,569	2,253,519
Total assets	4,258,433	4,474,784
Current liabilities	1,002,744	1,199,188
Long-term liabilities	463,000	488,000
Total liabilities	1,465,744	1,687,188
Net assets:		
Invested in capital assets, net of related debt	1,719,569	1,740,519
Restricted	864,385	830,607
Unrestricted	208,735	216,470
Total net assets	\$ 2,792,689	\$ 2,787,596

The Association's net assets increased \$5,093 during the current fiscal year. As a fundamental concept to the Association, the change in net assets is generally a small increase. The next chart will outline the changes in net assets.

Government activities—Governmental activities increased the Association's net assets by \$5,093, thereby accounting for 100% of the growth in total net assets. The prior year net increase was largely due to the Association receiving a grant to complete their new office building. Typically, net increases are small. Key elements of this increase are as follows.

Change in Net Assets	Governmental Activities	
	2006	2005
Program revenues:		
Charges for services	\$ -	\$ -
Operating grants	2,413,304	2,980,804
Capital grants	79,357	165,999
General revenues:		
Taxes	-	-
Earnings on investments	38,070	35,423
Total revenues	2,530,731	3,182,226
Expenses:		
Administration	93,833	102,091
Regional planning	167,550	160,124
Weatherization and heating	437,147	424,707
Aging and adult services	731,221	802,399
Housing assistance	507,634	824,675
Economic development	146,626	201,063
Critical needs services	441,627	323,471
Total expenses	2,525,638	2,838,530
Increase in net assets	\$ 5,093	\$ 343,696

Revenues from capital grants decreased \$86,642 and operating grants increased \$567,500. Operating grant revenues increased due to changes in a number of grants managed by the Association. Operating grants (the principal operations of the Association) will vary from year to year as funding from State and Federal contracts ebb and flow. Critical needs services decreased but housing assistance increased. Administration costs decreased as the Association is now established in its new facility and other grants were administered within eligible administration allowances.

Financial Analysis of the Government's Funds

The Association uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds—The focus of the Association's governmental funds is to provide information on near-term flows, outflows, and balances of spendable resources. Such information is useful in assessing the Association's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Association's governmental funds reported combined ending fund balances of \$1,073,120, an increase of \$26,043 in comparison with the prior year. Of this total amount, the unreserved fund balance is \$42,950, the reserved balance is \$864,385, and the designated balance is \$165,785. Unreserved balances are available for spending at the government's discretion. Reserved balances are set aside for their grant or special revenue purposes. The designated balances have been earmarked by the management for certain purposes; however, the Association is not bound by these purposes and can reallocate the funds back to the general fund.

The general fund is the chief operating fund of the Association. At the end of the current fiscal year, unreserved fund balance of the general fund was \$42,950, while total general fund balance was \$58,735. As a measure of the general fund's liquidity, it may be useful to compare both unreserved general fund balance and total fund balance to total general fund administrative expenditures. Unreserved fund balance represents 52% of total general fund administrative and debt service expenditures.

The Association's general fund balance decreased \$57,735 during the current fiscal year. The general fund decreased because operating expenses exceeded operating revenues by \$7,735 and \$50,000 was transferred to the special revenue fund for designated uses.

The special revenue fund has a total fund balance of \$1,014,385, an increase of \$83,778 from the previous year. Typically, all the projects within the special revenue fund break even regarding net incomes because grant revenues are not earned until expended; however, small amounts of net income come from interest earnings from the revolving loan funds that exceed bad debt expenses. In addition to interest earnings, \$50,000 was transferred to this fund.

Fund Budgetary Highlights

Amendments were made to the funds' original budgets to cover deviations of projected expenses.

Capital Asset and Debt Administration

Capital assets—The Association's investment in capital assets for its governmental activities as of June 30, 2006 and 2005 amount to \$2,207,569 and \$2,253,519 (net of accumulated depreciation), respectively. These capital assets range from office equipment to vehicles, equipment and buildings. Net capital assets decreased \$45,950. Net capital assets increased because additions of \$79,358 were less than depreciation of \$123,059 and dispositions of \$2,249.

Net Capital Assets	Governmental Activities	
	2006	2005
Capital assets net of depreciation	\$ 1,990,569	\$ 2,036,519
Land	217,000	217,000
Total	<u>\$ 2,207,569</u>	<u>\$ 2,253,519</u>

Long-term debt—The Association decreased its long-term debt \$25,000 from \$513,000 to \$488,000. The Association does not maintain a debt rating. State statutes limit the amount of general obligation bond debt and do not limit the amount of revenue bond debt. In either case, an election must be held although there are some exceptions to revenue bond issuance. The Association's ending long-term debt balance of \$488,000 is lease revenue bond debt that is bonded in the name of Roosevelt City.

Economic Factors and Next Year's Budgets and Rates

The amount of resources available to the Association hinges on the availability of state and federal grants from year to year. General fund and special revenue fund budgets are similar to fiscal year-end 2006. The Association has no budgeted tax revenues.

Requests for Information

This financial report is designed to provide a general overview of the Association's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Uintah Basin Association of Governments, Lyle Lemon, Business Manager, 330 East 100 South, Roosevelt, Utah 84066.

Uintah Basin Association of Governments
Statement of Net Assets
 June 30, 2006

	Governmental Activities
Assets	
Current assets:	
Cash & savings	\$ 333,924
Cash--revolving loan funds	152,404
Accrued grant revenues	466,873
Interest receivable	2,559
Revolving business loan receivables	678,603
Allowance for doubtful business loans	(68,939)
Other assets	36,800
Land (lots) held for resale	424,626
Inventory for weatherization	24,014
Total current assets	<u>2,050,864</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	1,990,569
Land	217,000
Total noncurrent assets	<u>2,207,569</u>
Total Assets	<u>\$ 4,258,433</u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 71,397
Wages payable	37,643
Deferred grant revenue	299,272
Accrued annual & comp leave	23,478
Working capital loans	43,250
Unappropriated interest	12,184
Notes payable, current	515,520
Total current liabilities	<u>1,002,744</u>
Noncurrent liabilities:	
Long-term obligations	463,000
Total noncurrent liabilities	<u>463,000</u>
Total liabilities	<u>1,465,744</u>
Net Assets	
Invested in capital assets, net of related debt	1,719,569
Restricted assets	864,385
Unrestricted assets	208,735
Total net assets	<u>2,792,689</u>
Total Liabilities and Net Assets	<u>\$ 4,258,433</u>

Uintah Basin Association of Governments
Statement of Activities
 For the Year Ended June 30, 2006

Net (Expense) Revenue and Changes in Net Assets	Program Revenues				Assets
	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Total	

See accompanying notes. Page 9

Uintah Basin Associations of Governments
**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets**
June 30, 2006

Total Fund Balances for Governmental Funds **\$ 1,073,120**

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of the following:

Land, equipment and buildings	2,655,551	
Accumulated depreciation	<u>(447,982)</u>	
		2,207,569

Long-term obligations are due and payable in the current period and therefore are not reported in the funds.	<u>(488,000)</u>
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Total Net Assets of Governmental Activities **\$ 2,792,689**

Uintah Basin Associations of Governments
**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities**
For the Year Ended June 30, 2006

Net Change in Fund Balances--Total Governmental Funds **\$ 26,043**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.

Capital outlays	79,358	
Loss on disposition of assets	(2,249)	
Depreciation	<u>(123,059)</u>	
		(45,950)

Governmental funds report debt services as an expenditure. However, repayment of debt does not affect the statement of activities but rather is a reduction of the statement of net assets' liability.

25,000

Change in Net Assets of Governmental Activities **\$ 5,093**

Uintah Basin Association of Governments
Balance Sheet--Governmental Funds
 June 30, 2006

	General	Special Revenue	Total
Assets			
Cash & savings	\$ 88,919	\$ 245,005	\$ 333,924
Cash--revolving loan funds	-	152,404	152,404
Accrued grant revenues	-	466,873	466,873
Interest receivable	-	2,559	2,559
Revolving business loan receivables	-	678,603	678,603
Allowance for doubtful business loans	-	(68,939)	(68,939)
Other assets	-	36,800	36,800
Land (lots) held for resale	-	424,626	424,626
Inventory for weatherization	-	24,014	24,014
Total Assets	<u>\$ 88,919</u>	<u>\$ 1,961,945</u>	<u>\$ 2,050,864</u>
Liabilities and Equity			
Liabilities:			
Accounts payable	\$ -	\$ 71,397	\$ 71,397
Wages payable	-	37,643	37,643
Deferred grant revenue	-	299,272	299,272
Accrued annual & comp leave	-	23,478	23,478
Working capital loans	18,000	25,250	43,250
Unappropriated interest	12,184	-	12,184
Notes payable, current	-	490,520	490,520
Total Liabilities	<u>30,184</u>	<u>947,560</u>	<u>977,744</u>
Fund Balances:			
Designated balances	15,785	150,000	165,785
Reserved balances	-	864,385	864,385
Undesignated balances	<u>42,950</u>	<u>-</u>	<u>42,950</u>
Total Fund Equity	<u>58,735</u>	<u>1,014,385</u>	<u>1,073,120</u>
Total Liabilities and Fund Equity	<u>\$ 88,919</u>	<u>\$ 1,961,945</u>	<u>\$ 2,050,864</u>

Uintah Basin Association of Governments
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
 For the Year Ended June 30, 2006

	General	Special Revenue	Total
Revenues			
Federal	\$ -	\$ 514,739	\$ 514,739
Federal thru State	-	1,244,361	1,244,361
State	-	174,599	174,599
Interest	1,654	36,416	38,070
Other, local	73,494	485,467	558,961
Total Revenues	75,148	2,455,582	2,530,730
Expenditures			
Administration:			
Administration	57,883	-	57,883
Capital outlay	-	-	-
Debt service	25,000	-	25,000
Regional Planning	-	164,984	164,984
Weatherization & Heating Services	-	422,632	422,632
Aging & Adult Services	-	724,514	724,514
Housing Assistance	-	501,781	501,781
Economic Development	-	188,955	188,955
Critical Needs Services	-	418,938	418,938
Total Expenses	82,883	2,421,804	2,504,687
Excess (deficiency) of revenue over expenditures	(7,735)	33,778	26,043
Other Financial Sources & (Uses)			
Note payable proceeds	-	-	-
Operating transfers	(50,000)	50,000	-
Excess (deficiency) of revenue over expenditures after other sources & uses	(57,735)	83,778	26,043
Fund Balances--Beginning of Year	116,470	930,607	1,047,077
Fund Balances--End of Year	\$ 58,735	\$ 1,014,385	\$ 1,073,120

Uintah Basin Association of Governments
Budgetary Comparison Schedule
General Fund
 For the Year Ended June 30, 2006

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Federal	\$ -	\$ -	\$ -	\$ -
Federal thru State	-	-	-	-
State	-	-	-	-
Interest	-	-	1,654	1,654
Other, local	214,946	214,946	73,494	(141,452)
Total Revenues	214,946	214,946	75,148	(139,798)
Expenditures:				
Administration:				
Administration	159,586	159,586	57,883	101,703
Capital outlay	30,360	30,360	-	30,360
Debt service	25,000	25,000	25,000	-
Regional Planning	-	-	-	-
Weatherization & Heating Services	-	-	-	-
Aging & Adult Services	-	-	-	-
Housing Assistance	-	-	-	-
Economic Development	-	-	-	-
Critical Needs Services	-	-	-	-
Total Expenses	214,946	214,946	82,883	132,063
Excess (deficiency) of revenue over expenditures	-	-	(7,735)	(7,735)
Other Financial Sources & (Uses):				
Note payable proceeds	-	-	-	-
Operating transfers	-	-	-	-
Excess (deficiency) of revenue over expenditures after other sources & uses	-	-	(7,735)	(7,735)
Fund Balances—Beginning of Year	116,470	116,470	116,470	-
Fund Balances—End of Year	\$ 116,470	\$ 116,470	\$ 108,735	\$ (7,735)

Uintah Basin Association of Governments
Budgetary Comparison Schedule
Special Revenue Fund
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Federal	\$ 689,632	\$ 717,314	\$ 514,739	\$ (202,575)
Federal thru State	1,570,528	1,938,948	1,244,361	(694,587)
State	180,000	180,000	174,599	(5,401)
Interest	39,500	39,500	36,416	(3,084)
Other, local	325,971	325,971	485,467	159,496
Total Revenues	2,805,631	3,201,733	2,455,582	(746,151)
Expenditures:				
Administration:				
Administration	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Regional Planning	170,000	170,000	164,984	5,016
Weatherization & Heating Services	412,674	457,551	422,632	34,919
Aging & Adult Services	728,096	734,505	724,514	9,991
Housing Assistance	798,149	939,899	501,781	438,118
Economic Development	231,024	231,024	188,955	42,069
Critical Needs Services	465,688	668,754	418,938	249,816
Total Expenses	2,805,631	3,201,733	2,421,804	779,929
Excess (deficiency) of revenue over expenditures	-	-	33,778	33,778
Other Financial Sources & (Uses):				
Note payable proceeds	-	-	-	-
Operating transfers	-	-	-	-
Excess (deficiency) of revenue over expenditures after other sources & uses	-	-	33,778	33,778
Fund Balances--Beginning of Year	930,607	930,607	930,607	-
Fund Balances--End of Year	\$ 930,607	\$ 930,607	\$ 964,385	\$ 33,778

Uintah Basin Association of Governments
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 Summary of Significant Accounting Policies

Reporting Entity—Uintah Basin Association of Governments was established in 1973 under the authority of the Utah Inter-Local Cooperation Act of 1965. The Association is a voluntary organization of governments whose general purpose is to facilitate intergovernmental cooperation and to coordinate federal, state, and local programs for the solution of mutual problems of the region. The governing body consists of a Board of Directors made up of County Commissioners and Mayors from Daggett, Duchesne, and Uintah Counties. The Association board is advised by two other Boards of Directors, namely the Revolving Fund Loan Board (RLF), and the Area Advisory Council Board (AAA). The RLF Board advises the RLF loan program and the AAA advises the Adult Aging Programs.

Transactions of the Uintah Basin Economic Development District are accounted for by the Association in the Special Revenue Fund. The Development District was organized under the laws of the State of Utah as a nonprofit corporation in June, 1976. The Development District is governed by a Board of Trustees consisting of the executive committee of Association plus a minimum of 35 percent of the trustees from the private industry sector.

The accounting policies of the Uintah Basin Association of Governments conform to generally accepted accounting principles as applicable to governmental units. For financial reporting purposes, the Association has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Association are such that exclusion would cause the Association's financial statements to be misleading or incomplete.

The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include (1) appointing a voting majority of an organization's governing body, (2) the ability of the Association to impose its will on that organization or (3) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Association. At this time, the Association has no component units and is not a component unit of another entity.

As required by generally accepted accounting principles, these financial statements present the Uintah Basin Association of Governments.

Government-Wide and Fund Financial Statements—The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent of fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Uintah Basin Association of Governments
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Measurement Focus, Basis of Accounting, and Financial Statement Presentation—The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Association reports the following two major governmental funds. There are no other funds.

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *special revenue fund* is used to account for the expenditures of grant revenues from federal, state and local sources.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Deposits and Investments—The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables—All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles. Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either "due to/from other funds" (i.e., current portion of interfund loans) or "advances from/to other funds" (i.e., the noncurrent portion of interfund loans). Advances between funds, as reported in the fund financial

Uintah Basin Association of Governments
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property Taxes—The Association does not assess a property tax and is not allowed to assess a property tax.

Inventories and Prepaid Items—All inventories are valued at cost using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets—At times, the Association may have funds set aside that are legally restricted or their use is limited by certain covenants. These restricted assets are generally spent first when eligible expenses are available.

Capital Assets—Capital assets, which include property and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual significant cost and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Useful lives are listed below.

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	5-15
Furniture & fixtures	10-15
Equipment	5-7
Vehicles	5-10
Office equipment	2-10
Computer equipment	3-6

Compensated Absences—The Association's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation is payable as it matures. Sick-time is only available upon illness. Employees may elect to accumulate 80 hours of vacation to be carried forward to the next calendar year. Any vacation accumulated in excess of 80 hours, not taken during the current year, is forfeited. There is no limit to carry-forward of sick time accumulation. The total amount of accumulated unpaid vacation and sick time is \$23,478.

Long-term Obligations—In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Principal payments and issuance costs (whether or not withheld from the actual debt proceeds received) are reported as debt service expenditures.

Uintah Basin Association of Governments
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications—Comparative total data for the prior year, if presented, have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Indirect Cost Allocation—The Association automatically allocates indirect costs by function; therefore, expenses reported for functional activities include allocated indirect expenses.

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgetary Data—Budgets are presented on the modified accrual basis of accounting for all governmental funds of the Association. The following procedures are used in establishing the budgetary data:

- During May and June of each year, the Association prepares the budget for Association's funds.
- Budgets have to be approved and adopted by the Association Board of Directors.
- Budget shall be in effect subject to later amendment and shall be available for public inspection.
- Board may, by resolution, transfer unexpended appropriation from one department to another department within the same fund or they may reduce the budget in any department or fund. Specific restrictions apply.
- Board may increase the total budget although it did not do so in the most recent year-end.

NOTE 2 Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The Association follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Association funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Uintah Basin Association of Governments
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Summary of Deposits and Investments

Reconciliation to the Balance Sheet			
Balance Sheet		Deposits & Investments	
Cash & savings	\$ 333,924	Checking	\$ 456,082
Cash--revolving loan funds	152,404	Utah Public Treasurer Pool	30,246
	-		-
Totals	<u>\$ 486,328</u>		<u>\$ 486,328</u>

Deposits

Custodial Credit Risk—Custodial credit risk is the risk that, in the event of a bank failure, the Association's deposits may not be returned to it. The Association does not have a formal deposit policy for custodial credit risk. As of June 30, 2006, \$256,082 of the Association's bank balances of \$456,082 was uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the Association and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the Association to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United State Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses (net of administration fees), of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2006, the Association had the following investments and maturities:

Uintah Basin Association of Governments
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	30,246	30,246	-	-	-

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Association's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Except for funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, the Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years. For funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, Rule 2 of the Money Management Council does not allow the dollar-weighted average maturity of fixed income securities to exceed ten years.

Credit Risk—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Association's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

At June 30, 2006, the Association had the following investments and quality ratings:

Investment Type	Fair Value	Quality Rating			
		AAA	AA	A	Unrated
State of Utah Public Treasurer's Investment Fund	30,246	-	-	-	30,246

Concentration of Credit Risk—Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Association's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Uintah Basin Association of Governments
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 3 Capital Assets

The following reflects the changes in capital assets and depreciation for the Association.

	June 30, 2005	Increases	Decreases	June 30, 2006
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 217,000	\$ -	\$ -	\$ 217,000
Total capital assets not being depreciated	217,000	-	-	217,000
Capital assets being depreciated:				
Buildings:				
Administration	1,747,045	-	-	1,747,045
Equipment & furniture:				
Administration	45,663	5,929	160	51,432
Aging and adult services	82,944	1,268	7,085	77,127
Economic development	5,858	51,323	-	57,181
Critical needs services	197,572	2,054	4,832	194,794
Housing assistance	87,767	9,802	1,903	95,666
Regional planning	46,594	-	3,009	43,585
Weatherization	164,201	8,982	1,461	171,722
Total capital assets being depreciated	2,377,644	79,358	18,450	2,438,552
Accumulated depreciation:				
Buildings	34,941	34,941	-	69,882
Equipment & furniture	306,184	88,118	16,201	378,101
Total accumulated depreciation	341,125	123,059	16,201	447,983
Total capital assets being depreciated, net	2,036,519	(43,701)	2,249	1,990,569
Governmental activities capital assets, net	\$ 2,253,519	\$ (43,701)	\$ 2,249	\$ 2,207,569

Depreciation expense for the year ended June 30, 2006 was allocated to functions of the Association as follows:

	2006
Administration	\$ 41,774
Aging and adult services	6,644
Economic development	8,993
Critical needs services	24,447
Housing assistance	15,423
Regional planning	2,349
Weatherization	23,429
Total depreciation	\$ 123,059

Uintah Basin Association of Governments
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 4 Employer Contributing to a Cost-sharing Multiple- Employer Defined Benefit Pension Plan

Plan Description. U.B.A.O.G. contributes to the Local Governmental Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems. Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental

Contributory Retirement System and Public Safety Retirement System for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. For July 2005 to June 2006, plan members in the Local Governmental Noncontributory Retirement System are required to contribute 0.00% of their annual covered salary (0.00% is paid by U.B.A.O.G. for the employee) and U.B.A.O.G. is required to contribute 11.09% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Contributions. U.B.A.O.G. contributions to the Local Governmental Noncontributory Retirement System for the years ending June 30, 2006, 2005, and 2004 were as follows. The contributions were equal to the required contributions for each year.

Salary Subject to Retirement		Employer Paid for Employee		
Contributions	Year ended June 30	Employee Paid Contributions	Contributions	Employer Contributions
653,562	2006	n/a	n/a	72,480
712,489	2005	n/a	n/a	79,015
641,163	2004	n/a	n/a	61,680

Uintah Basin Association of Governments participates in a 457 Deferred Compensation Plan and a 401(k) plan. For more information pertaining to this, call the ICMA Retirement Corporation at 1-800-326-7272.

Note 5 Accounts Receivable Balances

A majority of the revolving loan funds receivable balance is not expected to be paid within one year.

Uintah Basin Association of Governments
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 6 Long-term Debt and Capital Lease

Loan Identification	Description of Details
2003 Capital Lease	\$210,000 issued April, 2003; 0.0% interest; payments begin March, 2005 averaging \$8,500/year thru March 2029, lease with Roosevelt City M.B.A.
2001 Capital Lease	\$345,000 issued August, 2001; 0.0% interest; payments begin March, 2004 averaging \$17,500/year thru March 2023, lease with Roosevelt City M.B.A.
2004 Olene Walker	\$288,500 Trust Deed issued September, 2004; 0.0% interest; payments begin as collateral (Southridge lots) are sold, entire balance is current because all lots are expected to be sold fiscal year 2006.
2004 Housing Assistance Council	\$202,020 Trust Deed issued September, 2004; 0.0% interest; payments begin as collateral (Southridge lots) are sold, entire balance is current because all lots are expected to be sold fiscal year 2006.

Loan	June 30, 2005	Additions	Payments	June 30, 2006	Current Portion
2003 Capital Lease	\$ 202,000	\$ -	\$ (8,000)	\$ 194,000	\$ 8,000
2001 Capital Lease	311,000	-	(17,000)	294,000	17,000
2004 Olene Walker	288,500	-	-	288,500	288,500
2004 Housing	202,020	-	-	202,020	202,020
Totals	<u>\$ 1,003,520</u>	<u>\$ -</u>	<u>\$ (25,000)</u>	<u>\$ 978,520</u>	<u>\$ 515,520</u>

The general fund has been making the capital lease payments and the special revenue fund has made all other loan payments. Required principal and interest payments on long-term debt are as follows:

Year	Principal	Interest
2007	\$ 515,520	\$ -
2008	25,000	-
2009	25,000	-
2010	25,000	-
2011	25,000	-
2012-2016	125,000	-
2017-2021	130,000	-
2022-2026	81,000	-
2027-2029	27,000	-
Totals	<u>\$ 978,520</u>	<u>\$ -</u>

Government Reports

Uintah Basin Association of Governments
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2006

Federal Grant	C.F.D.A. No.	Pass-through Number	Federal Expenditure
Federal Direct:			
<u>Dep't of Health & Human Services</u>			
<u>Corporation for National & Community Services</u>			
RSVP	94.002	n/a	\$ 47,881
Foster Grandparent	94.011	n/a	178,103
Total			225,984
<u>Federal Emergency Management Agency</u>			
FEMA	83.523	n/a	23,040
Total			23,040
<u>Department of Agriculture</u>			
<u>Rural Business--Cooperative Service</u>			
Rural Self-help Housing Technical Assistance	10.420	n/a	187,097
Total			187,097
<u>Department of Commerce</u>			
Economic Development	11.302	n/a	70,000
Total			70,000
Total: Federal Direct			506,121
Federal Indirect thru State:			
<u>Department of Agriculture</u>			
<u>Utah Department of Education</u>			
Emergency Food Distribution	10.550	T07FD01-0	8,619
Total			8,619
<u>Utah Department of Housing</u>			
Single Family Rehabilitation	10.550	6.1133	4,822
Total			4,822
<u>Department of Homeland Security</u>			
<u>Utah Department of Emergency Services</u>			
Disaster Mitigation	83.548	6.0180	71,500
Total			71,500
<u>Department of Energy</u>			
<u>Utah Dep't of Natural Resources--Div of Energy</u>			
Weatherization Assistance	81.042	6.0309	107,326
Total			\$ 107,326

Federal Grant	C.F.D.A. No.	Pass-through Number	Federal Expenditure
<u>Department of Housing & Urban Development</u>			
<u>Utah Dep't of Community & Economic Dev.</u>			
Emergency Shelter	14.231	6.0120	35,976
CDBG	14.228	4.1123	515
CDBG	14.228	5.0530	4,288
CDBG	14.228	6.0430	6,000
CDBG	14.228	4.2080	82,000
CDBG	14.228	5.0538	27,996
CDBG	14.228	4.1123	764
CDBG	14.228	6.0301	16,000
CDBG	14.228	6.0179	10,291
Home Investment Partnership Program	14.239	6.0182	62,000
Home Investment Partnership Program	14.239	5.1248	18,837
Home Investment Partnership Program	14.239	n/a	12,505
Home Investment Partnership Program	14.239	6.1101	497
Home Investment Partnership Program	14.239	n/a	21,108
Total			298,777
<u>Department of Health & Human Services</u>			
<u>Utah Dep't of Human Services--Div of Energy</u>			
LIHEAP (HEAT)	93.558	6.1058	107,454
LIHEAP (HEAT)	93.558	5.1414	63,904
LIHEAP	93.568	6.1406	22,101
LIHEAP	93.568	5.1652	94,672
LIHEAP	93.568	4.1758	16,872
Total			305,003
<u>Utah Dep't of Community and Economic Dev.</u>			
CSBG	93.569	6.1056	74,178
CSBG	93.569	5.1504	17,840
Total			92,018
<u>Utah Dep't of Human Services</u>			
SSBG	93.667	6.0754	50,679
Total			50,679
<u>Utah Division of Aging & Adult Services</u>			
Aging & Adult Services	93.041-93.045	4.2188	269,727
Total			269,727
Total Indirect: Federal thru State			1,208,471
Grand Total: All Federal Assistance			\$ 1,714,592

NOTE A: The accompanying schedule of expenditures of federal awards is a summary of the activity of U.B.A.G.'s federal awards programs presented on the modified-accrual basis of accounting in accordance with generally accepted accounting principles.

NOTE B: The Association administers three revolving loan grant programs: 1) Economic Development Agency, 2) Community Development Block Grant and 3) a Rural Development loan program. Net income or losses are closed to fund balance in the special revenue fund in order to fund future loans. These three loan programs allow a specific percentage for administration fees which are revenues to another project set up to post all expenses related to revolving loan programs. If administration fees charged to the revolving loan programs exceed the expenses to operate the loan program, than the difference is recorded as deferred revenue which will be earned in future periods. The Economic Development Agency and the Community Development Block Grant revolving loan programs made three additional loans for the fiscal year ended June 30, 2006 totaling \$190,000. Outstanding loan balances for the Economic Development Agency, Community Development Block Grant and Rural Development loan programs are \$368,796, \$259,852, and \$49,955, respectively.



AYCOCK, MILES & ASSOCIATES, CPAs, P.C.

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**Report on Compliance and on Internal Control Over Financial Reporting Based on an
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Honorable Board of Directors
Uintah Basin Association of Governments
Roosevelt, Utah 84066

We have audited the general purpose financial statements of the Uintah Basin Association of Governments as of and for the year ended June 30, 2006, and have issued our report thereon dated November 6, 2006. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Uintah Basin Association of Governments' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Uintah Basin Association of Governments' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Information

This report is intended for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Aycock, Miles & Associates, CPAs

November 6, 2006



AYCOCK, MILES & ASSOCIATES, CPAs, P.C.

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**Report on Compliance with Requirements Applicable to Each Major Program And Internal
Control Over Compliance in Accordance With OMB Circular A-133**

Honorable Board of Directors
Uintah Basin Association of Governments
Roosevelt, Utah 84066

Compliance

We have audited the compliance of the Uintah Basin Association of Governments with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Uintah Basin Association of Governments' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Uintah Basin Association of Governments' management. Our responsibility is to express an opinion on the Uintah Basin Association of Governments' compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Uintah Basin Association of Governments' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Uintah Basin Association of Governments' compliance with those requirements.

In our opinion, the Uintah Basin Association of Governments complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the Uintah Basin Association of Governments is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Uintah Basin Association of Governments' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Information

This report is intended for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Aycock, Miles & Associates, CPAs

November 6, 2006

Schedule of Findings and Questioned Costs, Prior and Current

This report discusses four key areas: 1) a summary of auditors' results, 2) findings related to the financial statements, 3) findings and questioned costs related to federal awards, and 4) findings related to Utah State compliance requirements.

Summary of Auditors' Results

Financial Statement Opinion

The auditors' report expresses an unqualified opinion on the financial statements of the Association.

Internal Control Reportable Conditions

No reportable conditions were disclosed during the audit of the Association's financial statements.

Noncompliance Material to the Financial Statements

No instances of noncompliance material to the financial statements of the Association were disclosed during the audit.

Major Program Internal Controls Over Compliance

No reportable conditions relating to the audit of the major federal award programs are indicated in the report on compliance and internal controls over compliance for major programs.

Opinion on Compliance for Major Programs

In our opinion, the Association complied, in all material respects, with compliance requirements, laws, and regulations applicable to its major programs.

Audit Findings Required to be Disclosed under OMB A-133 § .510(a) for Major Programs

There were no reportable conditions regarding compliance or internal controls over major programs that are required to be reported under OMB A-133 § .510(a).

Major Programs Identified

Based on the high and low-risk criteria and threshold amounts, there were four major programs identified: 1) Low Income Heating Energy Assistance Program (CFDA # 93.568), 2) Weatherization (CFDA # 81.042), 3) Economic Development Revolving Loan disbursement (CFDA # 11.307), and 4) CDBG Revolving Loan Fund Disbursement (CFDA # 14.228).

Dollar Threshold Used to Determine Type A & B Programs

The threshold used in this Single Audit was \$300,000 in determining Type A or B programs.

Low-Risk or High-Risk Auditee

The Association qualified to be a low risk auditee.

Findings Related to The Financial Statements

Prior Year Findings

There are no prior year findings in this area.

Current Year Findings

There are no current year findings in this area.

Findings and Questioned Costs Related to Federal Awards

Prior Year Findings

There are no prior year findings in this area.

Current Year Findings

There are no current year findings in this area.

State of Utah General Compliance

Prior Year Findings

There are no prior year findings in this area.

Current Year Findings

There are no current year findings in this area.



AYCOCK, MILES & ASSOCIATES, CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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and
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Independent Auditors' Report on State of Utah Legal Compliance

Honorable Board of Directors, Uintah Basin Association of Governments
Duchesne, Uintah & Daggett Counties
Roosevelt, Utah

We have audited the general purpose financial statements of Uintah Basin Association of Governments, Utah, for the year ended June 30, 2006 and have issued our report thereon dated November 6, 2006. As part of our audit, we have audited Uintah Basin Association of Governments' compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the *State of Utah's Legal Compliance Audit Guide* for the year ended June 30, 2006.

The Association received the following major State assistance programs from the State of Utah: Aging and Adult Services, Olene Walker Housing and Home Contracts, and Community Impact Board grants.

The Association also received the following nonmajor grants which are not required to be audited for specific compliance requirements; however, these programs were subject to testwork as part of the audit of Uintah Basin Association of Governments's financial statements: Emergency Food Networks, Emergency Home Repair, and Planning Grants.

Our audit also included testwork on the Association's compliance with those general compliance requirements identified in the *State of Utah's Legal Compliance Audit Guide*, including: Public Debt, Cash Management, and Purchasing Requirements.

The management of Uintah Basin Association of Governments is responsible for the Association's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether a material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements. We believe that our audit provides a reasonable basis for my opinion. The results of our audit procedures disclosed no instances of noncompliance with the above requirements.

In our opinion, Uintah Basin Association of Governments complied, in all material respects, with the general and major program compliance requirements identified above for the year ended June 30, 2006.

Aycock, Miles & Associates, CPAs

November 6, 2006